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~~SEC~~ Rewald Probe Ends, U.S. Attorney's Case Still Open

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Ronald Rewald has agreed in an out-of-court settlement not to violate federal securities laws, bringing to an end the Securities and Exchange Commission's investigation into Rewald and his bankrupt company Bishop, Baldwin, Rewald, Dillingham & Wong.

The U.S. attorney's office, however, still can pursue criminal charges against Rewald for alleged violation of securities laws.

Robert Smith, Rewald's attorney, said he assumes a federal grand jury that has been investigating Rewald for several months still is considering SEC violations.

He said he had anticipated an indictment several months ago. But he now wonders whether Re-

wald will be charged with criminal violations of SEC laws because of the length of time the grand jury has been meeting.

Rewald already has been charged in state court with two counts of theft by deception and a state grand jury also is continuing its investigation.

YESTERDAY, U.S. Judge Martin Pence issued a permanent injunction against Rewald and the bankrupt investment company ordering them not to violate securities laws. The order was the result of a deal between Rewald and the SEC in which Rewald agreed not to oppose the permanent injunction but would not admit to having violated securities laws.

Bankruptcy attorney Timothy Holzer said the "consent agreement" entered into by Rewald is something like a "no-contest" plea in a criminal trial, where the defendant neither admits nor denies committing a crime.

The agreement allowed the SEC to get an order permanently stopping Rewald from violating securities laws without having to go to trial and prove its case against the former investment adviser.

The SEC filed a complaint against Rewald last Aug. 8.

Rewald specifically agreed not to:

- Solicit money from investors through false statements about his business background, how the money will be invested, the payment of commissions to salespeople, how the money is insured and the educational background of corporate officers.

- Publish or distribute any advertisement containing false or misleading information.

- Engage in any scheme to defraud any client or prospective client.

ANITA NAGLER, SEC attorney, said that obtaining a permanent injunction is as far as the SEC can go to enforce its laws. Nagler, who works out of Los Angeles, said the commission has no power to pursue criminal prosecution, although the commission can turn over information to the U.S. attorney's office.

She would not say whether the SEC has turned over its investigative reports on Rewald to the U.S. attorney's office here.

Nagler said the SEC has not given up its right to try to force Rewald to forfeit personal assets if it can be shown those assets were bought with investors' money obtained through fraudulent means. But she said the SEC is willing to let the bankruptcy trustee pursue those claims on behalf of investors.

Bankruptcy attorneys were to appear in court this morning to seek court approval to sell Rewald's polo ponies. Judge Pence already has approved the sale of Rewald's \$1 million waterfront house.

Attorney Smith told Pence yesterday that many of Rewald's personal assets were bought with money given to Rewald by the CIA and not investors.

Pence asked Smith whether the CIA had paid for Rewald's polo horses and houses, Rewald's children's \$9,000-a-month tuition and the thousands of dollars that went to Rewald's relatives.

"YOU MEAN the CIA even paid for the waterfall in his office?" Pence asked, referring to an elaborate man-made waterfall that decorated one wall of Rewald's 28th-floor office in downtown Honolulu.

Smith said that he couldn't say which specific items were bought with CIA money.

Smith was in federal court to ask Pence to modify a gag order limiting discussion of CIA-related

matters. Smith claims that under the order he cannot even discuss CIA matters with his investigator, who is trying to obtain evidence to support Rewald's contention that the CIA pumped money into the company.

Without ruling on the merits of Smith's motion, Pence denied it, saying it was incorrectly filed. Smith said he will refile the motion.

Thomas Hayes, bankruptcy administrator, said again yesterday that all of the evidence he has come up with indicates that Rewald's personal assets were paid for with investors' money.

Even if someone were to accept Rewald's contention that the CIA had pumped money into his company, it would still not explain why money invested by hundreds of legitimate investors was spent and not invested, Hayes said.

Rewald is suing Hayes for \$150 million for invasion of privacy and defamation of character.